

TABLE OF CONTENTS

| | |
|---|-----|
| INTRODUCTION | 1 |
| SCOPE | 1 |
| EXECUTIVE SUMMARY | 2 |
| LOCAL OFFICE RESPONSE | 2 |
| FINDINGS AND RECOMMENDATIONS | |
| <u>Cash Receipts</u> | |
| Open Items on FIA-61 | 3 |
| FIA-61 Log | 3 |
| Disposition of Warrants not Timely | 4 |
| Pending FIA-138's | 4 |
| Voided Receipts not Posted to Receipts Register | 4-5 |
| <u>Cash Disbursements</u> | |
| Sign-O-Meter Reconciliation | 5 |
| Check Signing | 5 |
| Accounts Receivable | 5 |
| <u>General Ledger</u> | |
| Bank Reconciliation | 6 |
| <u>Modified Accrual Basis Balance Sheet</u> | |
| Balance Sheet Discrepancy | 6 |
| Safe and Controlled Documents | 6 |

| | |
|--|-------|
| <u>Medical Transportation</u> | |
| Missing Medical Needs Authorizations | 7 |
| <u>State Emergency Relief</u> | |
| Supporting Documentation for Payments | 7-8 |
| SER Payments Exceeding Annual Cap | 8 |
| <u>Employment Support Services</u> | |
| Vehicle Purchases | 8-9 |
| Affordability of Payments | 9 |
| Vehicle Repair and Program Support Documentation | 9-10 |
| Coordination with Michigan Works Agency | 10 |
| <u>Client Processing</u> | |
| Improper Case Openings | 10-11 |
| <u>CIS/ASSIST</u> | |
| MA-010 Reconciliation Performed by FIM's with FIS Status | 11 |
| Missing ASSIST Enrollment Profiles and Security Agreements | 11-12 |
| Incompatible ASSIST/CIS Job Types/Status | 12 |
| IRS Information Security | 12 |
| <u>Payroll and Timekeeping</u> | |
| Reconciliation of Hours Entered | 13 |
| Unsigned Timesheets | 13 |
| Procurement Card | 13 |
| Telephone Usage | 13 |
| Child Well Being | 14 |

INTRODUCTION

The Office of Internal Audit performed an audit of Saginaw County FIA for the period January 1, 1998 through January 30, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Saginaw County FIA had 277 full time equated positions (FTE's) at the time of our review. Saginaw County FIA provided assistance to an average 23,211 recipients per month during FY 1999, with total assistance payments of \$35,890,004 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Saginaw County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

| | |
|--------------------------------------|-------------------------------|
| Cash Receipts | Cash Disbursements |
| Accounts Receivable | General Ledger |
| Modified Accrual Basis Balance Sheet | Safe and Controlled Documents |
| Medical Transportation | State Emergency Relief |
| Employment Support Services | Client Processing |
| CIS/ASSIST | IRS Information Security |
| Payroll and Timekeeping | Procurement Card |
| Telephone Usage | Child Well Being |

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Saginaw County FIA internal controls are not adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found numerous instances of noncompliance with FIA policies and procedures, many of which affect the office's internal control structure. We also noted specific internal control weaknesses.

In addition, we reviewed the receipts and disbursements for the period January 1, 1998 through September 30, 1999. All receipts were deposited, all Master Vouchers were deposited in full and the journal vouchers were reviewed for completeness and accuracy. All the monthly reports were prepared the cash account balanced with the County Treasurer. Our review disclosed no instances of improprieties for this period.

We returned to the Saginaw County FIA Office on March 27, 2000, and performed a follow-up review. Based on that review, we concluded that corrective action had been implemented for all items.

LOCAL OFFICE RESPONSE

The management of the Saginaw County FIA Office has reviewed all findings and recommendations in this report. They indicated in a memorandum dated March 17, 2000, they were in general agreement with the report and implemented corrective action for all items, which we verified during our follow-up review on March 27, 2000.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Open Items on FIA-61

1. Saginaw County FIA did not always record disposition information on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. We found six open items on the FIA-61, where the checks/warrants were not on hand and the local office had not recorded the disposition. Recording the disposition on the FIA-61 provides documentation that returned checks/warrants were disposed of properly.

WE RECOMMEND that Saginaw County FIA record the disposition of all checks/warrants on the FIA-61.

WE ALSO RECOMMEND that Saginaw County FIA determine the disposition of the six open items on the FIA-61, and take the appropriate corrective action.

FIA-61 Log

2. Saginaw County FIA did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61.

WE RECOMMEND that the Saginaw County perform a weekly reconciliation of checks/warrants on hand to the FIA-61.

Disposition of Warrants not Timely

3. Saginaw County FIA did not dispose of returned warrants within 10 days of receipt, as required by Accounting Manual Item 462. There were 8 warrants on hand at the time of our review that had been received during the period from November 5 through November 30. Prompt disposition of returned warrants reduces the risk of loss or theft of those warrants.

WE RECOMMEND that Saginaw County FIA dispose of all returned warrants within 10 days of their receipt.

Pending FIA-138's

4. Saginaw County FIA did not have pending Action Taken on State Treasurer's Warrants by Local Offices (FIA-138) on file for two warrants that were on hand. Accounting Manual Item 462 requires that local offices maintain a file of pending FIA-138's to be used for monitoring to ensure that workers return the FIA-138's timely with instructions for disposition of returned warrants.

WE RECOMMEND that Saginaw County FIA keep pending FIA-138's on file for all warrants that are on hand.

Voided Receipts Not Posted to Receipts Register

5. Saginaw County FIA was not posting voided Official Cashier Receipts to the Receipts Register. Voided receipts should be posted so that all receipts are accounted for when performing the reconciliation of receipts to the amount of the deposit.

WE RECOMMEND that Saginaw County FIA post voided Official Cashier Receipts to the Receipts Register.

Cash Disbursements

Sign-O-Meter Reconciliation

6. Saginaw County FIA did not reconcile the Sign-O-Meter Record (FIA-4711) with the Check Register, as required by Accounting Manual Item 410.1. This reconciliation is necessary to ensure that no checks go through the check signer that are not accounted for in the accounting records.

WE RECOMMEND that Saginaw County FIA reconcile of the Sign-O-Meter Record with the Check Register.

Check Signing

7. Saginaw County FIA did not sign and record their checks in order. Therefore, the checks were not listed in order on the Sign-O-Meter Log, and it was difficult to determine if all checks went through the Sign-O-Meter, as required by Accounting Manual Item 410.1.

WE RECOMMEND that Saginaw County FIA sign and record their checks in order.

Accounts Receivable

No findings in this area.

General Ledger

Bank Reconciliation

8. Neither the preparer nor the preparer's supervisor signed the Saginaw County FIA Bank Reconciliation (FIA-3674), as required by Accounting Manual Item 405. Signing the form provides documentation that the reconciliation was performed by the individual to whom

that duty was assigned, and that the individual's supervisor reviewed the reconciliation for accuracy.

WE RECOMMEND that Saginaw County FIA have the preparer and the preparer's supervisor sign the Bank Reconciliation when it is completed.

Modified Accrual Basis Balance Sheet

Balance Sheet Discrepancy

9. Saginaw County FIA had a discrepancy of \$22 between the Accounts Receivable Due from State – Other Administrative Pending File and the total for that account on the Modified Accrual Basis Balance Sheet. Accounting Manual Item 402.3 requires that a reconciliation of these accounts be performed each month.

WE RECOMMEND that Saginaw County FIA reconcile the Accounts Receivable Pending File to the Modified Accrual Basis Balance Sheet figure each month, and resolve any discrepancies noted.

Safe and Controlled Documents

No findings in this area.

Medical Transportation

Missing Medical Needs Authorizations (FIA-54A)

10. Saginaw County FIA did not have completed Medical Needs Authorizations (FIA-54A) on file for 6 out of the 15 cases we tested. In addition, two case files could not be located. Program Administrative Manual Item 825 and Accounting Manual Item 416 require that properly completed FIA-54A's be on file to document the need for medical transportation. Proper completion of all required information on the FIA -54A helps to ensure that medical transportation payments are only authorized when there is a documented medical need.

WE RECOMMEND that Saginaw County FIA ensure that properly completed FIA-54A's are on file in all cases where medical transportation is authorized.

State Emergency Relief

Supporting Documentation for Payments

11. Saginaw County FIA did not always attach supporting documentation to the FIA-849 on file in the Accounting Office, as required by Accounting Manual Item 404. An invoice or other supporting documentation was not attached for 19 of the 304 payments we reviewed. In addition, there were 55 payments made where a copy of the bill was attached instead of the original. Also, two payments were made based on estimates rather than an actual bill or invoice, and five payments were made for more than the amount of the attached bill. Attaching original invoices to the Accounting Office copy of the FIA-849 and following up on discrepancies between the bill or invoice and the FIA-849 helps ensure that all FIA-849 payments are accurate and appropriate.

WE RECOMMEND that Saginaw County FIA attach the original invoice or other supporting documentation to the Accounting Office copy of the FIA-849.

WE ALSO RECOMMEND that Saginaw County FIA ensure that FIA-849 payments are only authorized for the amount of the attached bill or invoice.

SER Payments Exceeding Annual Cap

12. Three of the SER payments made during the month of November, 1999 resulted in the client exceeding the annual cap for the service being authorized. No exceptions were on file for these payments. Program Policy Bulletin 1999-007 lists the annual caps for each service which may be authorized under SER.

WE RECOMMEND that Saginaw County FIA ensure that payments made under the SER program do not exceed the annual cap established.

Employment Support Services

Vehicle Purchases

13. Saginaw County FIA did not document that clients met the eligibility criteria prior to authorizing vehicle purchases through the Employment Support Services (ESS) Program. Program Eligibility Manual (PEM) Item 232 lists specific criteria that clients must meet to qualify for a vehicle purchase by FIA. Clients who do not meet the specific criteria need to apply for vehicle purchases and coverage of other employment related expenses through the Michigan Works Agency.

WE RECOMMEND that Saginaw County FIA document client eligibility for vehicle purchases through ESS in the case files.

Affordability of Payments

14. Saginaw County FIA did not document that clients would be able to afford payments on vehicles they helped them purchase through ESS, as required by PEM 232. We found numerous instances where workers authorized the \$1,2000 vehicle purchase maximum for a down payment on a car which cost more than \$4,000. If clients are unable to afford the payments on the vehicles they purchase, they will not be able to continue to transport themselves to work.

WE RECOMMEND that Saginaw County FIA only authorize ESS funds for vehicle purchases where the total cost of the vehicle is \$1,200, or where they have documentation that the client will be able to afford the payments on the vehicle.

Vehicle Repair and Program Support Documentation

15. Saginaw County FIA made vehicle repair payments from copies of the invoices in 12 instances during the month of October, 1999. In one of those instances, Saginaw County FIA also made a payment based on the original invoice. The vendor returned the duplicate payment. All payments should be based only on an original invoice in order to prevent duplicate payments.

Also we found that only 3 of the 20 cases we reviewed had documentation that the vehicle repair or support services payment being authorized was necessary for the client to obtain or retain employment. PEM 232 allows for ESS funds to be used for vehicle repair or support services only when necessary for employment.

In addition, we found one case where the estimate for the vehicle repair was in excess of \$1,000. The client had only \$338.50 remaining before exceeding the vehicle repair cap for the year. Saginaw County FIA authorized and paid the \$338.50 without documenting that

the client would be able to pay the additional amount needed for the repair. In addition, Saginaw County FIA had no invoice or other documentation to verify that the repair was actually completed.

WE RECOMMEND that Saginaw County FIA make vehicle repair payments based only on original invoices.

WE ALSO RECOMMEND that Saginaw County document that vehicle repairs and items purchased through program support are necessary to obtain or retain employment, and that payments made for those items will enable the client to obtain or retain employment.

Coordination with Michigan Works Agency

16. Saginaw County FIA did not coordinate with the local Michigan Works Agency (MWA) to ensure that both FIA and the MWA were not paying for the same item or service for clients who applied for them. Coordination is necessary to ensure that duplicate payments are not made between agencies

WE RECOMMEND that Saginaw County FIA coordinate with the local MWA to ensure that the two agencies are not providing duplicate services for clients.

Client Processing

Improper Case Openings

17. The CIS Operator at Saginaw County FIA opened cases based on requests from workers, if the request was signed by the worker's supervisor. The CIS Operator would then return the case to the worker who requested the opening, thus bypassing the front desk case assignment controls. We noted two case opening transactions processed by the CIS Operator in the two month period we reviewed.

WE RECOMMEND that Saginaw County FIA have all new case openings go through the front desk.

CIS/ASSIST

MA-010 Reconciliations Performed by FIM's with FIS Status

18. Six Family Independence Managers (FIM's) at Saginaw County FIA performed the reconciliation of the Transaction Control Listing (MA-010) for transactions performed by their workers, although they had Family Independence Specialist (FIS) status on the Client Information System (CIS). FIS status would allow the FIM's to process transactions on CIS with no independent review of the transactions.

WE RECOMMEND that Saginaw County FIA either change the FIM's to inquiry only status on CIS or have an independent person reconcile all transactions processed by the FIM's on CIS.

Missing ASSIST Enrollment Profiles and Security Agreements

19. Five employees at Saginaw County FIA who had access to ASSIST did not have ASSIST Enrollment Profiles (FIA-3720) or ASSIST Security Agreements (FIA-3721) on file, as required by L-Letter 97-156. Accurate, up-to-date Enrollment Profiles and Security Agreements provide documentation that workers understand the access they have on ASSIST and the responsibility associated with that access.

WE RECOMMEND that Saginaw County FIA ensure that accurate, up-to-date Enrollment Profiles and Security Agreements are on file for all employees who have access to ASSIST.

Incompatible ASSIST/CIS Job Types/Status

20. Thirteen employees at Saginaw County had ASSIST job types and CIS status codes that were incompatible. Four clerks had job type 360 (REG) and 380 (Case Opening for Services) on ASSIST: two of them had FLM status on CIS, and two had CRS. Two office supervisors had job type 360 and case opening capabilities on ASSIST: one of them had FLM, status and one had CRS. One CIS Operator, and two word processing assistants had job type 360 and CRS status. One FIS had job type 360. Also, one Assistance Payments Specialist had job type 360, case opening and FIS status on CIS. Two of the Information Technology Technicians had job type 360, 240, and 270 (case opening) capabilities. These job types and status codes allow all of these employees to register cases and open them on ASSIST and perform file maintenance on CIS. This does not allow for proper separation of duties.

WE RECOMMEND that Saginaw County FIA either change or customize the job types or status codes of these employees so that they are not able to register and open cases.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

Reconciliation of Hours Entered

21. Saginaw County FIA was not reconciling the Time and Attendance Summary Report (HR-332A) printed when the time and attendance was certified to either a copy of the HR-332A printed after the time is released in DCDS or the Bi-Weekly Hours Entered Report (PR-180), as recommended by the Primary Internal Control Criteria for FIA Local/District Offices. This reconciliation helps to ensure that hours were accurately entered and were not changed after the certification.

WE RECOMMEND that Saginaw County FIA have an independent employee reconcile either an HR-332A printed after time is released in DCDS or the PR-180 Report to the HR-332A printed when the time is certified.

Unsigned Timesheets

22. We noted that not all timesheets that were submitted by employees were signed. Employee and supervisor signatures are necessary to document employee and supervisory verification of hours worked.

WE RECOMMEND that Saginaw County FIA require employees and supervisors to sign all timesheets.

Procurement Card

No findings in this area.

Telephone Usage

No findings in this area.

Child Well Being

No findings in this area.